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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
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9
10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 JAMES ROSE, ANTOINE DE
13 SEJOURNET, and UNIVERSAL
14 INVEST QUALITY GROWTH
15 INDIVIDUALLY AND ON BEHALF
16 OF ALL OTHERS SIMILARLY
17 SITUATED,

18 Plaintiff,

19 vs.

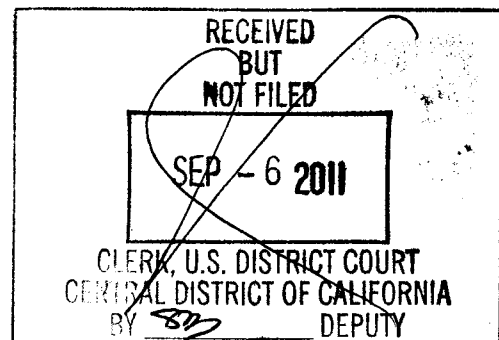
20 DEER CONSUMER PRODUCTS, INC.,
21 YING HE, YUEHUA XIA, ZONGSHU
22 NIE, EDWARD HUA, ARNOLD
23 STALOFF, QI HUA XU, YONGMEI
24 WANG, MAN WAI JAMES CHIU,
25 AND WALTER ZHAO

26 Defendants.

CASE No.: 2:11-cv-03701-DMG -
MRW

27 **AMENDED CLASS ACTION**
28 **COMPLAINT FOR VIOLATIONS**
OF THE FEDERAL SECURITIES
LAWS

JURY TRIAL DEMANDED



29 Lead Plaintiffs Antoine de Sejournet and Universal Invest Quality Growth
30 and named plaintiff James Rose (collectively "Plaintiffs"), individually and on
31 behalf of all other persons similarly situated, by their undersigned attorneys, for

1 their complaint against Defendants, alleges the following based upon personal
2 knowledge as to himself and his own acts, and information and belief as to all other
3 matters, based upon, *inter alia*, the investigation conducted by and through his
4 attorneys, which included, among other things, a review of the defendants' public
5 documents, conference calls and announcements made by defendants, United States
6 Securities and Exchange Commission ("SEC") filings, wire and press releases
7 published by and regarding Deer Consumer Products, Inc. ("Deer" or the
8 "Company"), securities analysts' reports and advisories about the Company, and
9 information readily obtainable on the Internet. Plaintiffs believe that substantial
10 evidentiary support will exist for the allegations set forth herein after a reasonable
11 opportunity for discovery.

12 **NATURE OF THE ACTION**

13 1. This is a federal securities class action on behalf of a class consisting
14 of all persons other than Defendants who purchased the common stock of Deer
15 between August 13, 2009 and March 21, 2011, inclusive, (the "Class Period")
16 seeking to recover damages caused by Defendants' violations of federal securities
17 laws.

18 2. Deer is a manufacturer of small appliances based in China. It sells its
19 products both outside of China under other brands, and in China bearing its own
20 brand name.

1 3. As with many small appliance manufacturers, 2009 was a terrible year
2 for Deer Consumer Products. As the worldwide recession cut disposable income,
3 consumers were more reluctant to spend on household goods.
4

5 4. In 2008, Deer reported net income of approximately \$3,532,000 in on
6 \$44,322,000 of revenue. in 2009 its reported revenue fell to \$31,248,000, and its
7 net income fell to \$1,343,000.
8

9 5. Deer was faced with a crushing debt burden (over \$6 million) and,
10 because of declining sales, an uncertain future.
11

12 6. Deer had just "gone public" in late 2008, through a reverse merger.
13 With its poor financial state, it would have presented an unappetizing target to
14 investors. Few investors are interested in investing in a struggling, declining, and
15 barely profitable company.
16

17 7. Without an infusion of capital, Deer's fate would likely have been that
18 of many of its competitors -- it would have collapsed.
19

20 8. Instead, Deer sought an infusion of capital from the United States
21 Capital Markets. The solution to its problem was simple -- it lied about its
22 finances.
23

24 9. Thus, to the U.S. investing public, Deer claimed 2009 revenues of
25 \$81,300,000 and net income of \$12,400,000 -- 2.5 and 10 times its actual revenues
26 and profits, respectively.
27
28

1 10. It reported its true financial condition to its regulator in China, the
2 Chinese State Administration of Industry and Commerce ("SAIC Filings").¹

3
4 11. It is apparent that the figures reported by Deer in its SAIC Filings are
5 accurate -- rather than those reported to the SEC -- for several reasons:

6 a. Deer is subject to serious penalties for making false statements in
7 its SAIC Filings.

8
9 b. Because Deer is a foreign (i.e. non-Chinese) company, the financial
10 statements its PRC subsidiaries file with the SAIC must be audited
11 by a Chinese certified public accountant in accordance with
12 Chinese generally accepted accounting principles ("Chinese
13 GAAP"). Chinese GAAP are substantially the same as U.S.
14 GAAP, particularly in respect to revenue recognition.²

15
16 c. Deer's 2009 financials and growth as reported to the SEC are
17 extraordinarily higher than its historical financials and growth.

18
19 d. Credit reports from Qingdao Intercredit Reports -- the Chinese
20 equivalent of Duff & Phelps -- use the much lower revenue and net
21 income figures reported in Deer's SAIC filings. When Deer
22
23

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25

¹ Plaintiffs' independently obtained the SAIC filings for Deer's subsidiaries.

26 ² See, paper titled: CESR'S ADVICE ON THE EQUIVALENCE OF CHINESE,
27 JAPANESE AND US GAAPS, prepared by The Committee of European Securities
28 Regulators; Accounting Standards for Enterprises No. 14 – Revenues;
Promulgation date: 02-15-2006; Effective date:01-01-2007; Promulgated by China
Ministry of Finance.

1 borrows from lenders in China, it faces disadvantageous terms
2 because its true financial condition is known there.

3
4 e. Most importantly -- until 2009, Deer's SEC and SAIC filings
5 matched. Indeed, its 2008 SAIC/SEC filings diverge only by
6 rounding errors. It is only in 2009 (when Deer began to seek cash
7 from U.S. capital markets) that the SAIC and SEC filings began to
8 diverge.
9

10 12. Indeed, Deer's SAIC and SEC filings began to diverge in Deer's
11 quarterly report on Form 10-Q for the Quarter ending June 30, 2009. That very
12 month, Deer had hired notorious stock promoter New York Global Group (the
13 "NYGG") and Benjamin Wey as its exclusive promotional arm. The NYGG has
14 been accused of running as a "front for illegal activities", and as a company used by
15 Wey to conspire with family and friends to "secretly sell" stocks.
16
17

18 13. When Wey sued in New York State Supreme Court on a defamation
19 theory against the maker of these accusations, the court dismissed Wey's complaint
20 because it held that the statements were *substantially true*.
21

22 14. A similar conspiracy to profit from inflating a company's stock price is
23 exactly what happened here. Without disclosing Benjamin Wey's involvement,
24 Wey's sister Tian Yi Wei³ acquired a 6.3% stake in Deer. She allegedly acquired
25
26

27 ³ Benjamin Wey legally changed his name from Benjamin Wei. According to Wey,
28 it was to Americanize his name; according to his critics, it was to hide various

1 her interest through purchases on the open market, though the majority of her
2 purchases fall outside the trading ranges of Deer stock for the day provided. Wei
3 could not have purchased the shares on the open market; Deer gave her the shares.

4
5 15. Deer misrepresented its revenue and net income to the U.S. investing
6 public. Because it lied, it was able to obtain financing -- and not only that, but
7 financing on absurdly advantageous terms. Thus, on December 17, 2009, Deer sold
8 6,900,000 shares at \$11.00 per share, netting handsome profits of almost \$71
9 million. In that sale, shareholders were fooled into thinking they were buying
10 shares in a thriving company earning approximately \$0.30 per share for the nine
11 months ended September 30, 2009. Instead they bought shares in a declining
12 company, which earned (approximately) \$0.03 per share for that same period.

13
14
15
16 16. On March 14 and 21, 2011, analyst firm Alfred Little⁴ published a
17 report setting out Deer's true financial condition. As a result, Deer's stock price fell
18 sharply, damaging investors.

19 20 **JURISDICTION AND VENUE**

21 17. The claims asserted herein arise under and pursuant to Sections 10(b)
22 and 20(a) of the Securities Exchange Act, and Rule 10b-5 promulgated thereunder
23 (17 C.F.R. §240.10b-5).

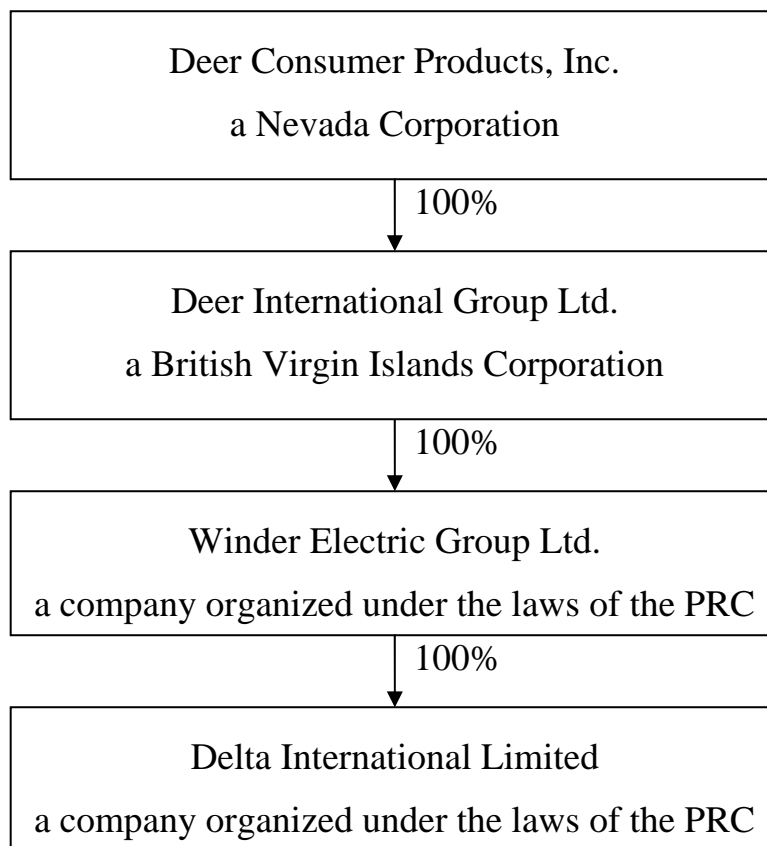
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25
26
27 unlawful acts attached to the name "Benjamin Wei".

28 ⁴ Alfred Little is a d/b/a for an analyst firm that analyses Chinese companies, and
may also take long or short positions in those and other companies.

1 23. Deer became a U.S. publicly traded company through a process called
2 a "reverse merger". In a reverse merger, a defunct U.S. publicly-traded company
3 "buys" a closely-held company; in return, the closely-held company's owners
4 receive substantially all of the shares of the publicly-traded company. The reverse-
5 merger process, particularly where the closely-held Company is Chinese, have
6 recently raised concerns among regulators that it is too open to fraud. Over a dozen
7 of Deer's peer companies -- Chinese closely-held companies that have gone public
8 on the U.S. markets via reverse mergers with market capitalizations of \$100 million
9 and up -- have been exposed elaborate frauds.

13 24. During the class period, Deer (the U.S. Company) owned Deer
14 International (a British Virgin Islands company) ("Deer BVI"). Deer BVI in turn
15 owned two operating companies, Winder Electric Group, Ltd., ("Winder") and
16 Delta International, Ltd. ("Delta"). Deer also incorporated two new operating
17 companies Deer Technology (AnHui) Co., Ltd. and Anlin Technology (Anhui),
18 Co., Ltd. as subsidiaries of Winder. However, during the Class Period, these
19 subsidiaries did not produce any revenues.

25. The following chart shows Deer's corporate structure as of December 31, 2009:



26. Winder and Delta design, manufacture and sell small home and kitchen electric appliances in China and worldwide. Deer BVI acquired Winder on March 12, 2008. Delta transferred all of its material operations to Winder between 2008 and 2009.

27. When reference is made in this Complaint to "Deer's SAIC Filings", it is to the combined financial statements of Winder and Delta -- or, for the period in which Deer's sole asset was Winder, to the financial statements of Winder.

1 28. In China, in SAIC filings, a parent does not consolidate the financial
2 statements of its majority owned subsidiary. However, for purposes of this
3 complaint, the financial statements of Winder and Delta are combined for ease of
4 analysis, as these were the only operating companies that produced any revenue or
5 income for Deer during the Class Period.
6

7
8 29. Beginning July 17, 2009, the Company's stock was actively traded on
9 the NASDAQ under the ticker "DEER." Prior to that date, the stock was actively
10 traded on the OTC Bulletin Board under the ticker "DEER".
11

12 30. Defendant Ying He ("Ying He") was and is Deer's CEO and Chairman
13 of its Board. He is also a Director of Winder. Ying He signed all of Delta's SAIC
14 filings during the Class Period. Ying He was the President and director of Winder
15 during the Class Period. Ying He was the legal representative of Delta during the
16 Class Period and signed each of its SAIC filings that contained Delta's SAIC
17 audited financial statements.
18

19
20 31. Ying He owned 8,348,125 shares of Deer common stock or 36.94% of
21 Deer's outstanding shares as of March 31, 2009. As of March 2, 2010, Ying He
22 reported owning 7,269,240 shares of Deer common stock. During the period from
23 March 31, 2009 to March 2, 2010, Ying He sold 1,078,885 shares of Deer common
24 stock and violated SEC regulations by never filing the required form 4 with the
25 SEC reporting such sale. Based on the range in which Deer's share price traded in
26
27
28

1 that time frame, Chiu received proceeds of between \$3.0 million and \$19.0 million
2 for the sale of his Deer shares.

3
4 32. Defendant Ying He's brother, Famin He ("Famin He") is Winder's
5 Chief Executive. Famin He is not a defendant in this action. Famin He, through
6 Great Scale Holdings Limited owned 1,444,000 shares of Deer common stock or
7 6.39% of Deer's outstanding shares as of March 31, 2009. Famin He was also
8 Deer's Manager of Production during the Class Period. Famin He signed all of
9 Winder's SAIC filings during the Class Period. Because Famin He was not a 5% or
10 greater shareholder after Deer did a public offering in July of 2009, it is uncertain
11 exactly how many Deer shares Famin He sold and retained during the Class Period.
12
13

14 33. Deer licenses the right to use its patents and trademarks from Ying He
15 and his brother Famin He.
16

17 34. Defendant Yuehua Xia ("Xia") was the Company's CFO from
18 September 2008 to August 2009. He is also the Chief Financial Officer of Winder.
19

20 35. Defendant Zongshu Nie ("Nie") has been the Company's CFO since
21 August 2009 and one of the Company's directors since April 2009. Throughout the
22 Class Period, Nie was the Financial Controller of the Company. Nie reported
23 ownership of 1,805,000 shares of Deer common stock or 7.99% of Deer's
24 outstanding shares as of March 31, 2009. As of March 2, 2010, Nie reported
25 ownership of 1,569,566 shares of Deer common stock. During the period from
26 March 31, 2009 to March 2, 2010, Nie sold 235,434 shares of Deer common stock
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1 and violated SEC regulations by never filing the required form 4 with the SEC
2 reporting such sale. Nie Based on the range in which Deer's share price traded in
3 that time frame, Chiu received proceeds of between \$918,000 and \$4.5 million for
4 the sale of his Deer shares.
5

6 36. Defendant Edward Hua ("Hua") was a Director of the Company since
7 April 2009, and currently serves as the Chairman of the Company's Nominating
8 and Corporate Governance Committee.
9

10 37. Defendant Arnold Staloff ("Staloff") was a Director of the Company
11 since April 2009, and currently serves as the Chairman of the Company's Audit
12 Committee.
13

14 38. Defendant Qi Hua Xu ("Xu") was a Director of the Company since
15 September 2009, and currently serves as the Chair of the Compensation Committee,
16 and is a member of the Company's Audit Committee and Nominating and
17 Corporate Governance Committee.
18

19 39. Defendant Yongmei Wang ("Wang") has been the President of the
20 Company since May 2010.
21

22 40. Defendant Man Wai James Chiu ("Chiu") was a Director of the
23 Company from September 2008 to April 2009. Chiu has been the Company's Chief
24 Operating Officer and Head of its Asia Pacific Division since September 2008.
25 Chiu owned 1,083,000 shares of Deer common stock or 4.79% of Deer's
26 outstanding shares as of March 31, 2009. On March 2, 2009, Deer's 10-K reported
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1 Chiu owned 941,740 shares of Deer common stock. During the period from March
2 31, 2009 to March 2, 2010, Chiu sold 141,260 shares of Deer common stock and
3 violated SEC regulations by never filing the required form 4 with the SEC reporting
4 such sale. Based on the range in which Deer's share price traded in that time frame,
5 Chiu received proceeds of between \$551,000 and \$2.7 million for the sale of his
6 Deer shares.
7
8

9 41. Defendant Walter Zhao ("Zhao") was a Director of the Company from
10 May 2009 to September 2009. Zhao was the Company's President from September
11 2009 to May 2010.
12

13 42. Ying He, Nie, Hua, Staloff, Xu, Wang, Chiu, and Zhao are collectively
14 referred to as the "Individual Defendants."
15

16 43. The Individual Defendants together participated in the drafting,
17 preparation, and/or approval of the various public, shareholder, and investor reports
18 and other communications complained of herein and were aware of, or recklessly
19 disregarded, the misstatements contained therein and omissions therefrom, and
20 were aware of their materially false and misleading nature. Because of their Board
21 membership and/or executive and managerial positions with Deer, each of the
22 Individual Defendants had access to the adverse undisclosed information about
23 Deer's financial condition and performance as particularized herein and knew (or
24 recklessly disregarded) that these adverse facts rendered the positive representations
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made by or about Deer and its business issued or adopted by the Company materially false and misleading.

THE IMPORTANCE OF SAIC FILINGS

44. Deer's two operating companies, Winder and Delta, were wholly owned foreign enterprises during the Class Period.

45. As a result, they were each required to file with the SAIC annual financial statements that were audited in accordance with Chinese GAAP.

46. Businesses that file inaccurate SAIC filings face a variety of penalties, including monetary fines and revocation of the entity's business license.⁵ If an entity's business license is revoked, the People's Bank of China⁶ requires that the bank account of that entity be closed.⁷ Without a business license, the entity cannot legally conduct business in the PRC. Without a bank account, an entity cannot practically conduct business.

DEFENDANTS' FRAUDULENT STATEMENTS

47. The Class Period begins on August 13, 2009, when Deer filed its quarterly report for the quarterly period ending June 30, 2009, with the SEC on Form 10-Q ("2009 2d Quarter 10Q."). The 2009 2d Quarter 10Q was signed by

⁵ "Measures for the Annual Inspection of Enterprises" issued in February 24, 2006, Article 20.

⁶ People's Bank of China in PRC is equivalent to the Federal Reserve in the U.S.

⁷ "Measures for the Administration of RMB Bank Settlement Accounts" issued in April 2003 (No.5 [2003]), Article 49.

defendants Ying He and Yuehua Xia and, pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), was separately certified by defendants He and Xia, who each attested both to the accuracy of the financial statements and that the financial statements were free of fraud.

48. In the 2009 2d Quarter 10Q, Deer reported the following revenue and net income:

	SEC 3 Months Ended 6/30/2009	SEC 6 Months Ended 6/30/2009
Revenue	\$15,310,503	\$22,182,719
Net Income	\$1,714,876	\$2,371,750

49. Deer’s reported net income figure for three months ended 6/30/2009 was false because the \$1.7 million of net income for these three months exceeded all of the revenue Deer reported in its SAIC filings for the entire fiscal year of 2009 by nearly \$400,000.

50. Deer’s reported net income figure for the six months ended 6/30/2009 was false because its nearly \$2.4million of reported net income exceeded all of the revenue Deer reported in its SAIC filings for the entire fiscal year of 2009 by \$976,000.

51. A comparison of Deer’s financial statements for the three months ended June 30, 2009, and the three months ended March 31, 2009, further suggests that the 2009 Q2 financial results are false:

In USD (rounded to thousands)	Three months ended March 31, 2009	Three months ended June 30, 2009	Increase (percentage)
Revenue	\$6,872,000	\$15,300,000	220%
Net income	\$656,000	\$1,714,000	261%
Net margin	9.5%	11.2%	118%

52. Previously, Deer had not shown such stark differences between the first and second quarters of its fiscal year:

% difference between first and second quarters	2009	2008
Revenue	220%	125%
Net income	261%	70%
Net margin	118%	57%

53. To explain its first quarter results (lower than historical), Deer claimed the poor economy had resulted in lower sales. To explain its second quarter results (much higher), Deer claimed that the results were attributable to increased sales in the U.S., Chinese, and Asia markets.

54. Deer's false financial reporting continued in its Form 10-Q (the "2009 3d Quarter 10Q"), reported on November 11, 2009. The 2009 3d Quarter 10Q was

signed by defendants Ying He and Zhongshu Nie, and, pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), was separately certified by defendants He and Nie, who each attested both to the accuracy of the financial statements and that the financial statements were free from fraud.

55. Deer’s 2009 3d Quarter 10Q reported revenue and net income were false because the amounts for the nine months ended 9/30/2009 exceeded all of the revenue and net income that Deer reported in its SAIC filings for the entire twelve months of fiscal 2009. Deer’s 3d Quarter 10Q reported the following false revenue and net income figures relative to its full year 2009 SAIC filings:

	SEC 3 Months Ended 9/30/2009	SEC 9 Months Ended 9/30/2009	SAIC 12 Months Ended 12/31/2009
Revenue	\$26,541,039	\$48,723,758	\$30,595,588
Net Income	\$4,122,773	\$6,494,523	\$1,395,588

56. Moreover, Deer’s reported net income in its SEC filings for the three months ended 9/30/2009 that exceeded its SAIC reported net income for the entire year of 2009 by \$2.7 million. Deer overstated its net income by nearly 300%. And its SEC reported revenue for those three months was nearly equal to its SAIC reported revenue for all of fiscal 2009.

57. Defendants’ filing with the SEC and reporting to investors Deer’s false and misleading financial statements caused Deer's stock price to appreciate sharply, rising from \$6.1 on August 13 (the day the 2009 2d Quarter 10Q was issued) to \$14.76 on November 5 (the day the 2009 3d Quarter 10Q was issued).

1 58. Not coincidentally issuance of these false and misleading financial
2 statements helped inflate Deer's stock price in advance of its secondary public
3 offering of stock.
4

5 59. On December 17, 2009, Deer completed an offering of 6,900,000
6 shares sold at \$11 per share. The proceeds to Deer were \$70,938,900. The sale
7 was made pursuant to a Prospectus dated December 12, 2009, and Registration
8 Statement dated October 9, 2009. Both the Prospectus and Registration Statement
9 repeated the false and misleading financial statements. The Registration Statement
10 was signed by Defendants Ying He, Nie, Hua, Staloff, and Xu. Deer's PIPE
11 investors also took the opportunity to unload the shares they had initially purchased
12 in private placements, at substantial profits.
13
14
15

16 60. Deer's Registration Statement was a so-called "shelf offering",
17 allowing Deer to sell stock in the future. Deer thereby registered up to
18 \$130,000,000 of shares, meaning that after the sale of stock, it still had \$54.1
19 million of stock "on the shelf" to unload on investors at any time in the future.
20

21 61. On March 2, 2010, Deer filed its annual report on Form 10-K for the
22 year ended December 31, 2009 (the "2009 10-K"). The 2009 10-K presented false
23 and misleading financial data. Deer overstated its fiscal 2009 revenue by \$50.7
24 million and overstated its net income by almost \$10.9 million. The overstatement
25 is shown by this comparison between Deer's true performance in 2009 (taken from
26
27
28

its SAIC Chinese Regulatory filings) and the performance it claimed in its SEC filings:

	<u>SEC Fiscal</u> <u>Year 2009</u>	<u>SAIC Fiscal</u> <u>Year 2009</u>	<u>Amount of</u> <u>Overstatement</u>	<u>Percentage</u> <u>Overstated</u>
Revenue	\$81,342,680	\$30,595,588	\$50,747,092	166%
Net income	\$12,369,062	\$1,395,588	\$10,973,474	786%

62. As a Wholly Foreign Owned Enterprise, Deer is required to audit its SAIC filings and it did so for its 2009 SAIC annual filings. There are no material differences between U.S. GAAP and Chinese GAAP. Thus, there is no reason why there should be such an enormous material difference between SEC and SAIC filings.

63. Indeed, before 2009, Deer's SAIC and SEC filings were strikingly similar. Here are is a comparison of Deer's SEC and SAIC filings for FY 2008, i.e. before it had a catastrophic 2009, before it had to attract investor funds, before it was publicly traded:

In USD (rounded to thousands) ⁸	SEC Fiscal Year 2008	SAIC Fiscal Year 2008	SEC/SAIC
Revenue	\$43,785	\$44,322	98.8%
Net income	\$3,357	\$3,532	95.1%

⁸ Assumes an exchange rate of 6/9 RMB/USD.

64. Except for some minor differences that can be accounted for by the difference in revenue recognition between China and U.S. accounting rules and exchange rate, the differences between the SEC reported figures and the SAIC reported figures are 4.9% of revenue and only 1.2% of net income.

65. Moreover, here are Deer's historical financials, as taken from SAIC filings:

In USD, rounded to thousands ⁹	2006	2007	2008	2009
Revenue	\$29,273	\$36,602	\$44,322	\$31,248
Net profit	\$856	\$799	\$3,532	\$1,343

66. Deer's SAIC filings show a company gradually growing, until a global financial collapse affecting consumer demand worldwide causes it to suffer both a decrease in profits and revenue. Deer's SEC filings, on the other hand, show a company gradually growing, until a global financial collapse affecting consumer demand worldwide causes it to double its revenues and quadruple its net income in a year.

⁹ Exchange rate:
 2006/ RMB 7.8 : USD 1
 2007/ RMB 7.5 : USD 1
 2008/ RMB 6.9 : USD 1
 2009/ RMB 6.8 : USD 1

1 67. Neither did Deer undertake any capital expenditures that caused this
2 purported dramatic change in its fortunes. The value of its property and equipment
3 as of December 31, 2009, and December 31, 2008, is virtually identical.
4

5 68. Indeed, even the SEC -- which does not routinely engage in the
6 business of second-guessing issuer's purported revenue figures -- was puzzled by
7 Deer's extraordinary growth story. A letter from the SEC to Deer dated May 19,
8 2010, specifically drew attention to the claims of abnormal growth:
9

10
11 Refer to your discussion of revenues beginning on page 32. In light of
12 the global economic slowdown, on which you comment in a risk factor
13 on page 12, please expand your discussion to provide more detailed
14 analysis specifically identifying the reasons (e.g. new products, new
15 agreements, entering new markets, increased advertising, changes in
16 pricing, etc.) behind the significant increases in revenue the company
17 has experienced. Please be very specific in your response. For
18 instance, you mention increased marketing efforts, particularly in
19 China, but even US revenue increased 49% in 2009 and 108% during
20 the first quarter of 2010. Please address this in your response, and
21 explain why you believe that the concerns raised in you risk factor on
22 page 12 have not resulted in decreased revenues, and instead,
23 significantly higher revenues.

24 69. In response, Deer stated:

25 A portion of our expected revenue did decrease due to the economic
26 slowdown in the U.S. and Europe. Our revenues in the fourth quarter
27 of 2008 and the first quarter of 2009 in these geographic areas were
28 lower than our expectation. The fourth quarter is typically our best
 quarter and can account for as much as 40% of our annual sales due to
 greater volume for Christmas in the U.S. and the European market. Yet
 in the fourth quarter of 2008, our sales were only \$11.7 million or
 roughly 27% of our annual sales. In the first quarter of 2009, our sales
 were \$6.9 million versus \$9.1 million for the first quarter of 2008, or a

1 24% drop in revenue. Our revenues in Europe and North America
2 decreased during the financial crisis as retailers reduced their inventory
3 levels.

4 However, our revenue also increased in 2009 due to an increase by
5 retailers of their inventory levels commencing in the second quarter of
6 2009 because retailers realized their inventories were too low relative
7 to consumer demand. At that time, many of our smaller competitors
8 who did not have our capital strength, economies of scale, and our low
9 cost production abilities went out of business. Our U.S. revenue
10 increased 49% in 2009, which we largely attribute to a gain in market
11 share from our competitors in 2009 as the demand for our products
12 came back. A weak fourth quarter in 2008 reduced our expected 2008
13 results. In 2009, the economic environment improved, but our first
14 quarter was still weaker than expected. Our revenue increased 108% in
15 the first quarter of 2010 largely due to improved demand, with Deer
16 continuing to gain market share and experiencing improved revenues
17 when compared to the weak first quarter of 2009.

18 70. As noted above, according to both SEC and SAIC filings, Deer's
19 revenue and net income actually increased in 2008, belying any notion that Deer's
20 2008 results were historically low.

21 71. On May 10, 2010, Deer filed its quarterly report for the quarter ending
22 March 31, 2010 (the "2010 1st Quarter 10Q"). The 2010 1st Quarter 10Q continued
23 Defendants' implausible claims about Deer's financial results:

24 In USD	25 Three months ended March 31, 2010	26 Three months ended March 31, 2009	27 2010/2009 (in percentage)
28 Revenue	\$23,902,000	\$6,872,000	348%
Net income	\$4,037,000	\$657,000	614%

72. On August 10, 2010, Deer filed its quarterly report for the quarter ending June 30, 2010 (the "2010 2d Quarter 10Q").

73. The 2010 2d Quarter 10Q contained the same false and misleading 2009 2d Quarter revenue and income figures which were false for the same reasons described in ¶49- ¶51 above.

74. The 2010 2d Quarter 10Q claimed dramatic growth over the 2009 2d Quarter 10Q -- an achievement, since the 2009 2d Quarter 10Q already made false and misleading claims about revenue and income:

In USD (rounded to thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	2010/2009 (in percentage)
Revenue	\$34,451,000	\$15,311,000	225%
Net income	\$6,021,000	\$1,715,000	351%

75. On November 10, 2010, Deer filed its quarterly report for the quarter ending September 30, 2010 (the "2010 3d Quarter 10Q").

76. The 2010 3d Quarter 10Q contained the same false and misleading 2009 3d Quarter revenue and income figures, which were false for the same reasons described in ¶55- ¶56 above.

77. The 2010 3d Quarter 10Q claimed dramatic growth over the 2009 3d Quarter 10Q:

In USD	Three months ended September 31, 2010	Three months ended September 31, 2009	2010/2009 (in percentage)
Revenue	\$55,263,000	\$26,541,000	208%
Net income	\$9,266,000	\$4,123,000	225%

78. On March 10, 2011, Deer issued its annual report for the year ending December 31, 2010, on Form 10-K (the "2010 10-K").

79. Deer's 2010 10-K contained the same false and misleading fiscal 2009 revenue and net income figures which were false for the same reasons described in ¶¶61 and ¶62 above. Deer overstated its fiscal 2009 revenue by \$50,747,092 and overstated its fiscal 2009 net income by \$10,973,474.

80. For comparison's sake, this graph presents Deer's purported results for FY 2010 with its actual results for FY 2009, as drawn from Deer's SAIC Filings:

In USD	FY 2010	FY 2009	2010/2009
Revenue	\$175,847,000	\$31,248,000	563%
Net income	\$30,349,000	\$1,343,000	2260%
Margin	17.3%	4.3%	402%

81. As between these two different books -- the SEC numbers and the SAIC numbers -- Qingdao Intercredit Services Pte. Co., Ltd., ("Qingdao") chose to believe the SAIC filings. Thus, should Deer seek to obtain credit, it would do so under the terms of its SAIC filings.

82. In particular, Qingdao reported the following regarding Winder (Deer's major operating asset) (all emphases added):

PROFITABILITY: FAIRLY GOOD

- The turnover of [SC -- "Subject Company" -- Winder] appears fairly good in its line, **but it decreased in 2009.**
- SC's net profit margin is fairly good in 2008, **but it decreased in 2009.**
- SC's return on total assets is fairly good in 2008, **but it decreased in 2009.**
- SC's cost of goods sold is average, comparing with its turnover in both years.

LIQUIDITY: FAIR

- The current ratio of SC is maintained in a normal level in 2008, **but fair in 2009.**
- SC's quick ratio is maintained in a normal level in 2008, **but fair in 2009.**
- The inventory of SC appears average in both years.
- The accounts receivable of SC appears average in both years.
- SC has no short-term loan in 2009.
- SC's turnover is in a fair level in 2009, comparing with the size of its total assets.

83. Qingdao recommended a maximum credit line of \$500,000.

84. In addition, Qingdao reported that Deer had 1,100 employees, as opposed to the 1,900 it claimed in its SEC filings.

Deer's CEO Concealed That He Directly Competes With Deer

85. In both Deer's 2009 10-K and in its 2010 10K, Deer concealed that its Chairman and CEO He operated businesses that directly competed with Deer.

1 86. The 2009 10-k and the 2010 10-K each state that “as of September 28,
2 2009, [Ying He] serves exclusively as Chairman and Chief Executive Officer.”

3
4 87. In truth, while serving as Deer’s Chairman and CEO, Ying He is also
5 serving as a director in and controls a Hong Kong registered company called 50HZ
6 Electric.

7
8 88. Ying He also served as a registered supervisor in Shenzhen Demeilong
9 Electric Co., Ltd. (“Shenzhen DML”), a company owned by Qiyun Xu (51%) and
10 Xianping He (49%).

11
12 89. Qiyun Xu is Ying He’s wife. Qiyun Xu, the 51% owner of Shenzhen
13 DML shares the same residential address with Ying He.¹⁰

14 90. Upon information and belief, Xianping He is Ying He’s father.¹¹

15
16 91. According to an investigator hired by Alfred Little, an employee of the
17 company occupying the location stated that 50HZ uses the Hong Kong address for
18 correspondence, but 50HZ’s operations are located in Shenzhen – at the same
19 address as DML.

20
21 92. Both 50HZ Electric and Shenzhen DML manufactures and sells
22 products that compete with Deer’s lines.
23
24

25 ¹⁰ Plaintiffs’ investigator independently verified that Qiyun Xu is Ying He’s wife.
26 ¹¹ They share the same family name - He; Xianping He was born in 1940, while
27 Ying He in 1968 and Famin He in 1973; Plaintiffs’ investigator determined their
28 faces on their ID picture looks very similar; All of them share the same "Place of
Ancestral Origin"- Shanyang City in Shaanxi Province, a city 1500km far from
Guangzhou where Deer is located. (Independently verified by Plaintiffs’
investigator).

1 93. Regulation S-K requires disclosure in annual reports and prospectuses
2 of the Company's executives and officers' business experience. That Defendant He
3 – Deer's Chairman and CEO – was secretly a director and owner of two direct
4 competitors of Deer was relevant under Regulation S-K, and non-disclosure of this
5 information made Defendant Deer's statements materially misleading.
6

7
8 94. Further, as revealed in Deer's own SEC filings, 50HZ is wholly owned
9 by what Deer described as two of its shareholders. Deer never disclosed that one of
10 these shareholders is its Chairman and CEO.
11

12 95. As revealed by bills of lading, 50HZ shipped large quantities of goods
13 across the world. 50HZ shipped entire containers at a time -- each containing
14 thousands of items. Worse, 50HZ often shipped items from Winder's address, and
15 to clients Winder also services. Therefore, either Ying He is in direct competition
16 with Deer, or -- the more likely possibility -- Ying He sells some of the goods
17 produced by Deer for his own personal benefit through 50HZ.
18
19

20 **ADDITIONAL REASONS TO BELIEVE STATEMENTS PROVIDED**

21 **TO CHINESE AUTHORITIES ARE ACCURATE AND**

22 **STATEMENTS PROVIDED TO THE U.S. INVESTING PUBLIC ARE**

23 **FALSE**
24

25 96. Where it is alleged that Defendant Ying He, the president and director
26 of Winder, the CEO of Deer, and brother to the CEO of Winder, falsified Winder's
27 earnings as reported in Deer's SEC filings, no additional proof of scienter is needed.
28

1 There is no non-culpable explanation of why Ying He would so dramatically inflate
2 revenues. Hence, this section focuses on falsity.

3
4 97. Deer reported different operating margins to the SAIC and to its
5 investors through SEC filings.

6
7 98. In its SEC filings for FY 2009, it reported operating margins of 17.5%.
8 In its SAIC filings, it reported operating margins of 4.0%. This is a fourfold
9 difference, and therefore one of the two numbers is false.

10
11 99. Deer touts its margins in the domestic Chinese market as the reason for
12 its success. Deer entered the domestic Chinese market in 2008, and sales in the
13 domestic Chinese market have accounted for 5, 18, and 43 percent of Deer's sales in
14 2008, 2009, and 2010, respectively.

15
16 100. Deer's competitors, most of which are better established, have much
17 lower operating margins.

18
19 101. Indeed, even as Deer entered the domestic Chinese market for small
20 appliances, existing manufacturers were exiting the market because of its brutally
21 low margins.

22
23 102. As a senior official in BBK (a manufacturer of small appliances for the
24 Chinese market) noted in commenting on BBK's decision to exit the market, there
25 are few barriers to entry in the industry. As a result of this entry, even the largest
26 providers --Joyoung and Supor -- have seen *low* and, in 2010, *declining* margins.
27
28

1 BBK, Joyoung, and Supor are all much larger than Deer, and therefore profit from
2 economies of scale Deer cannot match.

3
4 103. Meanwhile, Deer reports *high* and *increasing* margins in the very same
5 sector for the very same time period.

6
7 **DEER AND THE NEW YORK GLOBAL GROUP**

8 104. In June 2009, Deer retained the notorious New York Global Group
9 (the "NYGG") as its exclusive advisor. Deer began falsifying its earnings on the
10 quarter ending June 30, 2009, meaning that it began falsifying earnings the very
11 quarter it hired NYGG as its promoter.

12
13 105. Deer itself never disclosed its relationship with the NYGG. However,
14 the NYGG's website shows a picture of NYGG's President Benjamin Wey (or Wei)
15 in a private jet with Deer's management, allegedly taken the night before the pricing
16 of Deer's \$75 million offering.

17
18 106. Deer had good reason to hide NYGG's involvement.

19
20 107. The NYGG and Wey have been involved in a number of litigations
21 and regulatory proceedings relating to unlawful conduct involving securities.

22
23 108. Prior to NYGG's involvement with Deer, NYGG had been employed
24 by Bodisen Biotech, Inc. Bodisen was listed on the NYSE Amex. The NYSE
25 Amex took the extraordinary step of removing Bodisen's shares from listing
26 because of its involvement with NYGG and Wey, and because this involvement
27
28

1 cast doubt on the accuracy of Bodisen's financial statements. As Bodisen explained
2 in a current report on Form 8-K:

3
4 Among other things, AMEX believes that the Company made
5 insufficient or inaccurate disclosure in its public filings with regard to
6 its relationship with, and payments to, a consultancy firm and its
7 affiliates both prior to and subsequent to its listing on the AMEX.
8 *Additionally, in the context of the Company's relationship with the
9 consultancy firm, AMEX expressed concern that the Company has
10 internal control issues related to its accounting and financial reporting
11 obligations.*

12 109. Wey was also involved as promoter to AgFeed Industries, Inc. Gong
13 Chen and the Global Consulting Group were hired to provide investor relations to
14 AgFeed.

15 110. Gong Chen sent a series of communications to executives at AgFeed,
16 urging them to distance themselves from Wey.

17 111. In an email to AgFeed's executives, Chen stated that "[m]any people
18 wonder why [Wey] is not in jail for what he did to investors two years ago."

19 112. In an oral conversation on February 4, 2008, Chen told the Chair of
20 AgFeed's Board of Advisors that Wey "misleads the public as he secretly sells the
21 stocks [he promotes] through his family and business friends and no one can trace it
22 to him. He did this with a number of companies."

23 113. Chen also said that that "Wey's business [*i.e.*, NYGG] was a 'front for
24 illegal activities,' and that Wey violated securities laws."

25 114. Wey sued for defamation.
26
27
28

1 115. In an opinion dated May 23, 2011, Justice Sherwood of the New York
2 State Supreme Court dismissed Wey's complaint. Justice Sherwood dismissed
3 Wey's claim because he held that the allegedly defamatory statements were
4 *substantially true*. The facts supporting this holding were:

5
6 -Wey was suspended by NASD in 2002

7
8 -Wey was censured by the Oklahoma Department of Securities and was
9 barred from seeking to do any brokerage or investment business in Oklahoma

10 -Wey recommended stocks without properly disclosing risks, made
11 unauthorized trades and failed to disclose that he had consulting agreements
12 with the companies whose stock he was selling

13
14 -Within six months of founding a firm called Benchmark Capital, he was
15 fired as its CEO and director by the Board "for cause" for insider trading and
16 misappropriating Benchmark funds.
17

18 116. Although it is impossible to tell whether Deer continues to employ
19 NYGG and Wey as its sole promoter,¹² since they scarce appear in Deer's filings,
20 public sources indicate that NYGG and Wey are probably still Deer's sole
21 promoters. Thus, in an interview dated November 15, 2010, with thestreet.com,
22 Wey stated that he was employed as a consultant by Deer. Wey touted his
23
24
25
26

27
28 ¹² A report in Barron's written by Leslie P. Norton dated June 18, 2011, indicated that Wey was still employed as a promoter for Deer Consumer.

1 involvement with Deer, stating that he had known the company for three years and
2 had visited it seven times.

3
4 117. On March 28, 2011, Deer sued Alfred Little in New York state court.
5 Although Alfred Little made a number of allegations in his initial and follow-up
6 reports, the Complaint in the New York state action focused on only one of those
7 allegations – allegedly fraudulent land purchases. The Complaint did not discuss
8 any of the other very serious allegations.
9

10 118. Wey also stated -- falsely -- that Deer was the largest manufacturer of
11 juicers and blenders in the world.
12

13 119. One connection with Deer, however, Wey did not mention. On
14 September 20, 2010, Tian Yi Wei (Benjamin Wey's sister, and an employee of the
15 NYGG), filed a report on Schedule 13D allegedly listing open-market purchases in
16 Deer's stock that led to her owning 6.3% of Deer's stock. She did not disclose that
17 she was, in fact, employed by Deer's promotion firm and related to its President.
18 Thus, Wey had an indirect substantial pecuniary interest in causing Deer to
19 continue to file false and misleading income statements.
20
21

22 120. Although Wei allegedly purchased her shares on the open market,
23 most of her alleged purchases were outside the daily trading range of Deer's stock:
24
25
26
27
28

Trade date	Amount Purchased (sold)	Wei's price (\$)	Low for the day	High for the day	Possible?
7/26/2010	17403	7.61	8	8.39	No
8/18/2010	124645	7.64	7.73	8.19	No
8/19/2010	37672	7.6	7.7	8.07	No
8/20/2010	12308	7.61	7.59	7.87	Yes
8/23/2010	29402	8.14	7.65	7.88	No
8/24/2010	9840	7.81	7.32	7.65	No
8/25/2010	5650	7.64	7.2	7.71	Yes
8/26/2010	16731	7.67	7.6	7.83	Yes
8/27/2010	78753	7.39	7.6	7.84	No
8/30/2010	100000	7.44	7.74	8.04	No
8/31/2010	62338	7.61	7.8	8.22	No
9/2/2010	27524	7.86	8	8.44	No
9/7/2010	58701	8.28	8.03	8.39	Yes
9/8/2010	2800	8.21	8.27	8.5	No
9/9/2010	8400	8.02	7.66	8.42	Yes
9/10/2010	56129	8.15	7.99	8.18	Yes
9/13/2010	-6300	8.41	8.03	8.3	No
9/14/2010	100511	8.06	8.05	8.23	Yes
9/15/2010	83511	8.05	8.09	8.34	No

Thus, of 19 trades identified by Wei, only 7 are even possible trades. Wei never bought her shares on the open market, which amounted to about 6.3% of Deer's outstanding shares. Measured another way, this is about \$17 million in funds allegedly expended to obtain the shares. Deer gave her the shares.

AGAINST DEFENDANT STALOFF

121. Defendant Staloff has been engaged in a number of questionable China-based U.S. listed companies which are also NYGG's clients, including FEED, HEAT and CTEK. CTEK has been delisted from NASDAQ on March 1, 2011 for a serious disclosure violation related to a December financing.

The SEC has Warned of Reverse Merger Companies Such as CAGC

1 122. Chinese reverse mergers (“RCMs”) have recently been a magnet for
2 disreputable stock promoters, leading the SEC to issue warnings about investing in
3 companies like Deer.
4

5 123. Shielded by the geographic distance of thousands of miles and
6 operating under a regulatory framework that is a world apart from the SEC’s
7 oversight, RCM companies have few incentives to provide complete and accurate
8 disclosures to American investors. An August 28, 2010 article in *Barron’s* by Bill
9 Alpert and Leslie P. Norton entitled, “Beware This Chinese Export,” discusses the
10 enforcement problems that American regulators face when dealing with Chinese
11 companies that trade on U.S. exchanges through RCMs. The article states that
12 “[t]he SEC’s enforcement staff can’t subpoena evidence of any fraudulent activities
13 in China, and Chinese regulators have little incentive to monitor shares sold only in
14 the U.S.”
15

16 124. U.S. regulators have finally begun to take notice of the manipulation
17 and fraud endemic in RCMs. The SEC has recently established a task force to
18 investigate investors’ claims regarding the impropriety and fraud of RCMs trading
19 on the U.S. markets. SEC Commissioner Luis A. Aguilar (the “Commissioner”)
20 discussed Chinese reverse mergers and the process of “backdoor registration,”
21 stating:¹³
22

23
24
25
26
27
28 ¹³ Text of the entire speech is available at
 http://sec.gov/news/speech/2011/spch040411laa.htm#P79_43025.

1
2 In the world of backdoor registrations to gain entry into the U.S. public
3 market, the use by Chinese companies has raised some unique issues, even
4 compared to mergers by U.S. companies. Two important ones are:

5 • First, there appear to be **systematic concerns with the quality**
6 **of the auditing and financial reporting;** and

7 • Second, even though these companies are registered here in the
8 U.S., there **are limitations on the ability to enforce the securities laws,**
9 **and for investors to recover their losses when disclosures are found to be**
10 **untrue, or even fraudulent.**

11 **I am worried by the systematic concerns surrounding the quality of the**
12 **financial reporting by these companies.** In particular, according to a recent
13 report by the staff of the Public Company Accounting Oversight Board
14 (PCAOB), U.S. auditing firms may be issuing audit opinions on the
15 financials, but not engaging in any of their own work. Instead, the U.S. firm
16 may be issuing an opinion based almost entirely on work performed by
17 Chinese audit firms. If this is true, it could appear that the U.S. audit firms
18 are simply selling their name and PCAOB-registered status because they are
19 not engaging in independent activity to confirm that the work they are relying
20 on is of high quality. This is significant for a lot of reasons, including that the
21 PCAOB has been prevented from inspecting audit firms in China.

22 125. On June 9, 2011, the SEC issued an Investor Bulletin warning
23 investors about investing in companies that enter U.S. markets through RCM
24 "...there have been instances of fraud and other abuses involving reverse merger
25 companies." "Given the potential risks, investors should be especially careful when
26 considering investing in the stock of reverse merger companies," said Lori J.
27 Schock, Director of the SEC's Office of Investor Education and Advocacy.
28

LOSS CAUSATION

126. On March 14, 2011, analyst Alfred Little (“Little”) issued a report (the “March 14 Report”) asserting that DEER had concealed material adverse information from investors.

127. The March 14 Report also set forth a host of detailed criticisms that questioned the veracity of the information contained in the Company’s financial statements and press releases. The Report listed a number of red flags and evidence contradicting the Company’s annual reports and public statements filed with the SEC and issued to U.S. investors. The potential red flags of fraud alleged in the Report included the following as summarized in the Report:

- Management misappropriated over \$12 million on two recent land purchases.
- 2009 SAIC filing shows Deer really has a much smaller business with much less revenue and much less net income than Deer reported in its SEC filings.
- Direct competition from Chairman He’s unconsolidated related party - 50Hz Electric.

128. On March 14, 2011, the Company filed with SEC a current report on Form 8-K, providing an immediate response and rebuttal to the March 14 Report. Deer vehemently denied the allegations of fraud and attempted to discredit the March 14 Report. Deer’s rebuttal prevented a significant decline in its stock price that otherwise would have resulted from the March 14 Report.

1 129. On March 21, 2011, Little published a follow-up report providing
2 further evidence of defendants' alleged fraud, and which referenced the allegations
3 of fraud in the March 14 report.
4

5 130. On March 21, 2011, Deer's stock price fell 21.6% on extraordinarily
6 heavy trading volume, damaging investors. Deer never responded to, or attempted
7 to rebut the additional evidence of fraud in the March 21 Report and its stock
8 continued to fall in the following days as a result of the March 21 Report.
9
10

11
12 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

13 131. Plaintiff brings this action as a class action pursuant to Federal Rules
14 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons
15 who purchased the common stock of Deer during the Class Period and who were
16 damaged thereby. Excluded from the Class are Defendants, the officers and
17 directors of the Company at all relevant times, members of their immediate families
18 and their legal representatives, heirs, successors or assigns and any entity in which
19 defendants have or had a controlling interest.
20
21

22 132. The members of the Class are so numerous that joinder of all members
23 is impracticable. Throughout the Class Period, Deer's securities were actively
24 traded on the NASDAQ. While the exact number of Class members is unknown to
25 Plaintiff at this time and can only be ascertained through appropriate discovery,
26 Plaintiff believes that there are at least hundreds of members in the proposed Class.
27
28

1 Members of the Class may be identified from records maintained by Deer or its
2 transfer agent and may be notified of the pendency of this action by mail, using a
3 form of notice customarily used in securities class actions.
4

5 133. Plaintiff's claims are typical of the claims of the members of the Class,
6 as all members of the Class are similarly affected by Defendants' wrongful conduct
7 in violation of federal law that is complained of herein.
8

9 134. Plaintiff will fairly and adequately protect the interests of the members
10 of the Class and has retained counsel competent and experienced in class and
11 securities litigation.
12

13 135. Common questions of law and fact exist as to all members of the Class
14 and predominate over any questions solely affecting individual members of the
15 Class. Among the questions of law and fact common to the Class are:
16

17 (a) whether the federal securities laws were violated by Defendants'
18 acts as alleged herein;
19

20 (b) whether statements made by Defendants to the investing public
21 during the Class Period misrepresented material facts about the business, operations
22 and management of Deer; and
23

24 (c) to what extent the members of the Class have sustained damages
25 and the proper measure of damages.
26

27 136. A class action is superior to all other available methods for the fair and
28 efficient adjudication of this controversy since joinder of all members is

1 impracticable. Furthermore, as the damages suffered by individual Class members
2 may be relatively small, the expense and burden of individual litigation make it
3 impossible for members of the Class to redress individually the wrongs done to
4 them. There will be no difficulty in the management of this action as a class action.

5
6 **Applicability of Presumption of Reliance:**

7
8 **Fraud-on-the-Market Doctrine**

9 137. At all relevant times, the market for Deer's common stock was an
10 efficient market for the following reasons, among others:

11
12 (a) Deer's stock met the requirements for listing, and is listed and
13 actively traded on the NASDAQ, a highly efficient and automated market;

14
15 (b) During the class period, on average, over 1.6 million shares of Deer stock
16 were traded on a weekly basis. Deer had 33.6 million shares outstanding at the end of the
17 class period. Thus the average weekly trading volume for the whole Class Period as a
18 percentage of shares outstanding at the very end of the Class Period was 5%,
19 demonstrating a very active and broad market for Deer stock and permitting a *very strong*
20 presumption of an efficient market;

21
22 (c) As a regulated issuer, Deer filed periodic public reports with the SEC
23 and was eligible and did file short form registration statements with the SEC on
24 Form S-3 during the Class Period;

25
26 (d) Deer regularly communicated with public investors via established
27 market communication mechanisms, including through regular disseminations of
28

1 press releases on the national circuits of major newswire services and through
2 other wide-ranging public disclosures, such as communications with the financial
3 press and other similar reporting services;

4
5 (e) Deer was followed by several securities analysts employed by
6 major brokerage firms who wrote reports that were distributed to the sales force
7 and certain customers of their respective brokerage firms during the Class
8 Period. Each of these reports was publicly available and entered the public
9 marketplace;
10

11
12 (f) Numerous NASD member firms were active market-makers in Deer
13 stock at all times during the Class Period; and

14
15 (g) Unexpected material news about Deer was rapidly reflected and
16 incorporated into the Company's stock price during the Class Period.

17 138. As a result of the foregoing, the market for Deer's common stock
18 promptly digested current information regarding Deer from all publicly available
19 sources and reflected such information in Deer's stock price. Under these
20 circumstances, all purchasers of Deer's common stock during the Class Period
21 suffered similar injury through their purchase of Deer's common stock at artificially
22 inflated prices, and a presumption of reliance applies.
23
24
25
26
27
28

FIRST CLAIM
Violation of Section 10(b) Of
The Exchange Act Against and Rule 10b-5
Promulgated Thereunder Against All Defendants

139. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

140. This claim is brought against Deer and all of the Individual Defendants.

141. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including plaintiff and other Class members, as alleged herein; and (2) cause plaintiff and other members of the Class to purchase Deer's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

142. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Deer's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. All Defendants are sued either as primary participants

1 in the wrongful and illegal conduct charged herein or as controlling persons as
2 alleged below.

3
4 143. Defendants, individually and in concert, directly and indirectly, by the
5 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
6 and participated in a continuous course of conduct to conceal adverse material
7 information about the business, operations and future prospects of Deer as specified
8 herein.
9

10 144. These Defendants employed devices, schemes and artifices to defraud,
11 while in possession of material adverse non-public information and engaged in acts,
12 practices, and a course of conduct as alleged herein in an effort to assure investors
13 of Deer's value and performance and continued substantial growth, which included
14 the making of, or participation in the making of, untrue statements of material facts
15 and omitting to state material facts necessary in order to make the statements made
16 about Deer and its business operations and future prospects in the light of the
17 circumstances under which they were made, not misleading, as set forth more
18 particularly herein, and engaged in transactions, practices and a course of business
19 that operated as a fraud and deceit upon the purchasers of Deer's common stock
20 during the Class Period.
21
22
23
24

25 145. Each of the Individual Defendants' primary liability, and controlling
26 person liability, arises from the following facts: (1) the Individual Defendants were
27 high-level executives, directors, and/or agents at the Company during the Class
28

1 Period and members of the Company's management team or had control thereof;
2 (2) each of these defendants, by virtue of his or her responsibilities and activities as
3 a senior officer and/or director of the Company, was privy to and participated in the
4 creation, development and reporting of the Company's financial condition; (3) each
5 of these defendants enjoyed significant personal contact and familiarity with the
6 other defendants and was advised of and had access to other members of the
7 Company's management team, internal reports and other data and information
8 about the Company's finances, operations, and sales at all relevant times; and
9 (4) each of these defendants was aware of the Company's dissemination of
10 information to the investing public which they knew or recklessly disregarded was
11 materially false and misleading.
12

13
14
15
16 146. Defendants had actual knowledge of the misrepresentations and
17 omissions of material facts set forth herein, or acted with reckless disregard for the
18 truth in that they failed to ascertain and to disclose such facts, even though such
19 facts were available to them. Such Defendants' material misrepresentations and/or
20 omissions were done knowingly or recklessly and for the purpose and effect of
21 concealing Deer's operating condition and future business prospects from the
22 investing public and supporting the artificially inflated price of its common stock.
23 As demonstrated by Defendants' overstatements and misstatements of the
24 Company's financial condition throughout the Class Period, Defendants, if they did
25 not have actual knowledge of the misrepresentations and omissions alleged, were
26
27
28

1 reckless in failing to obtain such knowledge by deliberately refraining from taking
2 those steps necessary to discover whether those statements were false or
3 misleading.
4

5 147. As a result of the dissemination of the materially false and misleading
6 information and failure to disclose material facts, as set forth above, the market
7 price of Deer's common stock was artificially inflated during the Class Period. In
8 ignorance of the fact that market prices of Deer's publicly-traded common stock
9 were artificially inflated, and relying directly or indirectly on the false and
10 misleading statements made by Defendants, or upon the integrity of the market in
11 which the common stock trades, and/or on the absence of material adverse
12 information that was known to or recklessly disregarded by Defendants but not
13 disclosed in public statements by Defendants during the Class Period, Plaintiff and
14 the other members of the Class acquired Deer common stock during the Class
15 Period at artificially high prices and were or will be damaged thereby.
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20 148. At the time of said misrepresentations and omissions, Plaintiff and
21 other members of the Class were ignorant of their falsity, and believed them to be
22 true. Had Plaintiff and the other members of the Class and the marketplace known
23 the truth regarding Deer's financial results, which were not disclosed by defendants,
24 Plaintiff and other members of the Class would not have purchased or otherwise
25 acquired their Deer common stock, or, if they had acquired such common stock
26
27
28

1 during the Class Period, they would not have done so at the artificially inflated
2 prices that they paid.

3
4 149. By virtue of the foregoing, Defendants have violated Section 10(b) of
5 the Exchange Act, and Rule 10b-5 promulgated thereunder.

6
7 150. As a direct and proximate result of Defendants' wrongful conduct,
8 Plaintiff and the other members of the Class suffered damages in connection with
9 their respective purchases and sales of the Company's common stock during the
10 Class Period.

11
12 151. This action was filed within two years of discovery of the fraud and
13 within five years of each plaintiff's purchases of securities giving rise to the cause
14 of action.

15
16
17 **SECOND CLAIM**
18 **Violation of Section 20(a) Of**
19 **The Exchange Act Against the Individual Defendants**

20 152. Plaintiff repeats and realleges each and every allegation contained
21 above as if fully set forth herein.

22
23 153. The Individual Defendants acted as controlling persons of Deer within
24 the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of
25 their high-level positions, agency, and their ownership and contractual rights,
26 participation in and/or awareness of the Company's operations and/or intimate
27 knowledge of the false financial statements filed by the Company with the SEC and
28

1 disseminated to the investing public, the Individual Defendants had the power to
2 influence and control, and did influence and control, directly or indirectly, the
3 decision-making of the Company, including the content and dissemination of the
4 various statements that plaintiff contends are false and misleading. The Individual
5 Defendants were provided with or had unlimited access to copies of the Company's
6 reports, press releases, public filings and other statements alleged by Plaintiff to
7 have been misleading prior to and/or shortly after these statements were issued and
8 had the ability to prevent the issuance of the statements or to cause the statements to
9 be corrected.

13 154. In particular, each Defendant had direct and supervisory involvement
14 in the day-to-day operations of the Company and, therefore, is presumed to have
15 had the power to control or influence the particular transactions giving rise to the
16 securities violations as alleged herein, and exercised the same.

18 155. As set forth above, Deer and the Individual Defendants each violated
19 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this
20 Complaint.

22 156. By virtue of their positions as controlling persons, the Individual
23 Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct
24 and proximate result of Defendants' wrongful conduct, Plaintiff and other members
25 of the Class suffered damages in connection with their purchases of the Company's
26 common stock during the Class Period.

CERTIFICATE OF SERVICE

I, Leonid Prilutskiy, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury as follows:

I am an employee of the Rosen Law Firm, P.A. I am over the age of eighteen. On September 6, 2011, I served the following **AMENDED COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** by U.S. mail to counsel of record for all defendants at the address listed below:

William H. Forman, Esq. (SBN 150477)
Scheper Kim & Harris LLP
601 West Fifth Street, 12th Floor
Los Angeles, CA 90071-2025

Counsel for Defendant Deer Consumer Products, Inc.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on September 6, 2011, in New York, New York.



Leonid Prilutskiy